招商局港口控股有限公司
CHINA MERCHANTS PORT HOLDINGS COMPANY LIMITED

(Incorporated in Hong Kong with limited liability under the Companies Ordinance)

(Stock Code: 00144)

- Throughput of containers handled reached 95.77 million TEUs, up 14.5% (2015: 83.66 million TEUs)
- Throughput of bulk cargoes handled reached 460 million tonnes, up 30.2% (2015: 353 million tonnes)
- Profit attributable to equity holders of the Company
  - √ HK$5,494 million, up 14.3% (2015: HK$4,808 million)
  - √ HK$5,558 million, up 24.6%, from ports operation (2015: HK$4,462 million)
- Recurrent profit attributable to equity holders of the Company amounted to HK$4,581 million, up 2.7% (2015: HK$4,462 million)
- Basic earnings per share totaled 175.58 HK cents, up 13.2% (2015: 155.07 HK cents)
- Final dividend of 65 HK cents per share (2015: 55 HK cents per share)

2016 ANNUAL RESULTS ANNOUNCEMENT

The board of directors (the "**Board**") of China Merchants Port Holdings Company Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	**2016**	**2015**
		HK$'million	*HK$'million*
Revenue	2	7,976	8,233
Cost of sales		(4,621)	(4,602)
Gross profit		3,355	3,631
Other income and other gains, net	4	1,561	339
Administrative expenses		(1,019)	(989)
Operating profit		3,897	2,981
Finance income	5	60	158
Finance costs	5	(960)	(858)
Finance costs, net	5	(900)	(700)
Share of profits less losses of			
Associates		3,389	3,890
Joint ventures		297	144
		3,686	4,034
Profit before taxation		6,683	6,315
Taxation	6	(477)	(790)
Profit for the year	7	6,206	5,525
Attributable to:			
Equity holders of the Company		5,494	4,808
Non-controlling interests		712	717
Profit for the year		6,206	5,525
Dividends	8	2,282	1,998
Earnings per share for profit attributable to equity holders of the Company	9		
Basic (HK cents)		175.58	155.07
Diluted (HK cents)		175.58	154.91

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 *HK$'million*	2015 *HK$'million*
Profit for the year	6,206	5,525
Other comprehensive (expense)/income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences from retranslation of investments in subsidiaries, associates and joint ventures	(4,187)	(3,522)
Release of reserves upon disposal of a subsidiary	—	(35)
(Decrease)/increase in fair value of available-for-sale financial assets, net of deferred taxation	(1,616)	1,522
Share of investment revaluation reserve of associates	(495)	(72)
Release of reserve upon disposal of an available-for-sale financial asset, net of deferred taxation	(461)	—
Items that will not be reclassified subsequently to profit or loss:		
Share of other reserves of associates	38	223
Share of net actuarial loss on defined benefit plans of associates and a joint venture	(28)	(38)
Total other comprehensive expense for the year, net of tax	(6,749)	(1,922)
Total comprehensive (expense)/income for the year	(543)	3,603
Total comprehensive (expense)/income attributable to:		
Equity holders of the Company	(738)	3,324
Non-controlling interests	195	279
	(543)	3,603

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Note	**2016** *HK$'million*	**2015** *HK$'million*
ASSETS			
Non-current assets			
Goodwill		2,791	2,973
Intangible assets		5,407	5,660
Property, plant and equipment		18,459	19,570
Investment properties		7,455	287
Land use rights		7,265	7,545
Interests in associates		43,020	37,953
Interests in joint ventures		8,909	9,041
Other financial assets		3,350	5,883
Other non-current assets		395	1,110
Deferred tax assets		49	41
		97,100	90,063
Current assets			
Inventories		77	77
Debtors, deposits and prepayments	10	2,296	1,916
Taxation recoverable		3	—
Cash and bank balances		3,637	10,293
		6,013	12,286
Total assets		103,113	102,349

	Note	2016 HK$'million	2015 HK$'million
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		19,548	18,994
Mandatory convertible securities		15,219	15,224
Reserves		29,434	33,181
Proposed dividend	8	1,707	1,429
		65,908	68,828
Non-controlling interests		7,830	7,821
Total equity		73,738	76,649
LIABILITIES			
Non-current liabilities			
Loans from shareholders		279	664
Other financial liabilities		16,793	16,681
Other non-current liabilities		1,186	1,234
Deferred tax liabilities		1,973	2,333
		20,231	20,912
Current liabilities			
Creditors and accruals	11	3,497	2,582
Loans from shareholders		399	311
Other financial liabilities		4,963	1,489
Taxation payable		285	406
		9,144	4,788
Total liabilities		29,375	25,700
Total equity and liabilities		103,113	102,349
Net current (liabilities)/assets		(3,131)	7,498
Total assets less current liabilities		93,969	97,561

NOTES:

1 Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the Hong Kong Companies Ordinance (Cap. 622) ("**HKCO**"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and available-for-sale financial assets, which are carried at fair value.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

The financial information relating to the years ended 31 December 2016 and 2015 included in this preliminary announcement of annual results 2016 do not constitute the Company's statutory consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory consolidated financial statements required to be disclosed in accordance with section 436 of the HKCO is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 December 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the HKCO and will deliver the consolidated financial statements for the year ended 31 December 2016 in due course.

The Company's auditor has reported on these consolidated financial statements for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under section 406(2), 407(2) or (3) of the HKCO.

During the year, the Group has applied, for the first time, certain amendments to HKFRSs issued by the HKICPA. The adoption of these amendments to HKFRSs has had no material effect on the amounts reported or disclosures set out in the consolidated financial statements.

2 Revenue

The principal activities of the Group comprise ports operation, bonded logistics operation and property investment. The following is an analysis of the Group's revenue from its major services offered during the year.

	2016	**2015**
	HK$'million	*HK$'million*
Ports service, transportation income, container service and container yard management income	7,570	7,789
Logistics services income	405	408
Gross rental income from investment properties	1	36
	7,976	8,233

3 Segment information

The key management team of the Company is regarded as the chief operating decision-maker ("**CODM**"), who reviews the Group's internal reports in order to assess performance, allocate resources and determine the operating segments. The CODM manages the Group's operations by divisions from both business and geographic perspectives.

Individual operating segments for which discrete financial information is available are identified by the CODM and are operated by their respective management teams. These individual operating segments are aggregated in arriving at the reportable segments of the Group.

From a business and financial perspective, management assesses the performance of the Group's business operations including ports operation, bonded logistics and cold chain operations, port-related manufacturing operation and other operations.

(i) Ports operation includes container terminal operation, bulk and general cargo terminal operation operated by the Group and its associates and joint ventures. Ports operation is further evaluated on a geographic basis as set out below:

(a) Mainland China, Hong Kong and Taiwan

- Pearl River Delta excluding Hong Kong ("PRD excluding HK")
- Hong Kong
- Yangtze River Delta
- Others

(b) Other locations outside of Mainland China, Hong Kong and Taiwan

(ii) Bonded logistics and cold chain operations include logistic park operation, ports transportation, cold storage and logistics operation and airport cargo handling operated by the Group and its associates and joint ventures.

Following the disposal of Smart Ally Holdings Limited and its subsidiaries during the year ended 31 December 2015, the Group ceased its cold chain operation and thereafter the segment information reported to the CODM in respect of bonded logistics and cold chain operations comprises only the bonded logistics operation which includes logistic park operation, ports transportation and airport cargo handling operated by the Group and its associates and joint ventures.

(iii) Port-related manufacturing operation represents container manufacturing operated by the Group's associate.

(iv) Other operations mainly include property development and investment and construction of modular housing operated by the Group's associate, property investment operated by the Group and corporate function.

Each of the segments under ports operation includes the operations of a number of ports in various locations within the geographic locations, each of which is considered as a separate operating segment by the CODM. For the purpose of segment reporting, these individual operating segments have been aggregated into reportable segments on geographic basis in order to present a more systematic and structured segment information. To give details of each of the operating segments, in the opinion of the directors of the Company, would result in particulars of excessive length.

Bonded logistics operation and other operations includes a number of different operations, each of which is considered as a separate but insignificant operating segment by the CODM. For segment reporting, these individual operating segments have been aggregated according to the natures of their operations to give rise to more meaningful presentation.

There are no material sales or other transactions between the segments.

There was no single customer who accounted for over 10% of the Group's total revenue in any of the year ended 31 December 2016 and 2015.

The Group's revenue by geographical areas of operations and information about its non-current assets other than financial instruments and deferred tax assets presented based on the geographical areas in which the assets are located are as follows:

	Revenue		**Non-current assets**	
	2016	**2015**	**2016**	**2015**
	HK$'million	*HK$'million*	*HK$'million*	*HK$'million*
Mainland China, Hong Kong and Taiwan	6,747	7,212	74,650	64,852
Other locations	1,229	1,021	19,051	19,287
	7,976	8,233	93,701	84,139

The amounts labelled as "Company and subsidiaries" below represent the Group's revenue. The amounts labelled as "Share of associates" and "Share of joint ventures" below represent the Group's share of revenue of associates and joint ventures respectively. An analysis of the Group's revenue by segments is as follows:

REVENUE

	Ports operation						Bonded logistics operation	Port-related manufacturing operation	Other operations	Total
	Mainland China, Hong Kong and Taiwan				Other locations	Sub-total			Other investments	
	PRD excluding HK	Hong Kong	Yangtze River Delta	Others						
	HK$' million	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*
For the year ended 31 December 2016										
Company and subsidiaries	5,673	200	—	468	1,229	7,570	405	—	1	7,976
Share of associates	210	710	9,080	3,151	1,057	14,208	207	14,115	4,974	33,504
Share of joint ventures	7	5	368	2,181	167	2,728	—	—	13	2,741
Total segment revenue	5,890	915	9,448	5,800	2,453	24,506	612	14,115	4,988	44,221
For the year ended 31 December 2015										
Company and subsidiaries	5,961	246	—	561	1,021	7,789	408	—	36	8,233
Share of associates	429	736	8,764	—	1,244	11,173	204	18,279	3,109	32,765
Share of joint ventures	11	13	380	2,122	—	2,526	1	—	—	2,527
Total segment revenue	6,401	995	9,144	2,683	2,265	21,488	613	18,279	3,145	43,525

An analysis of the Group's operating profit/(loss), share of profits less losses of associates and joint ventures by segments is as follows:

For the year ended 31 December 2016

	Ports operation						Bonded logistics operation	Port-related manufacturing operation	Other operations			Total
	Mainland China, Hong Kong and Taiwan				Other locations	Sub-total			Other investments	Corporate function	Sub-total	
	PRD excluding HK	Hong Kong	Yangtze River Delta	Others								
	HK$' million	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*
Operating profit/(loss)	2,124	10	548	126	824	3,632	153	(1)	497	(384)	113	3,897
Share of profits less losses of												
- Associates	84	96	2,040	123	561	2,904	(1)	156	330	—	330	3,389
- Joint ventures	—	—	112	165	20	297	—	—	—	—	—	297
	2,208	106	2,700	414	1,405	6,833	152	155	827	(384)	443	7,583
Finance costs, net	(38)	—	—	(31)	(206)	(275)	(30)	—	(4)	(591)	(595)	(900)
Taxation	(481)	(1)	328	(32)	(104)	(290)	(21)	(14)	(150)	(2)	(152)	(477)
Profit/(loss) for the year	1,689	105	3,028	351	1,095	6,268	101	141	673	(977)	(304)	6,206
Non-controlling interests	(558)	—	—	(16)	(136)	(710)	(2)	—	—	—	—	(712)
Profit/(loss) attributable to equity holders of the Company	1,131	105	3,028	335	959	5,558	99	141	673	(977)	(304)	5,494
Other information:												
Depreciation and amortisation	810	12	—	122	388	1,332	91	—	—	15	15	1,438
Capital expenditure	597	7	—	187	206	997	80	—	6,259	296	6,555	7,632

An analysis of the Group's operating profit/(loss), share of profits less losses of associates and joint ventures by segments is as follows: (continued)

	For the year ended 31 December 2015											
	Ports operation						Bonded logistics and cold chain operations	Port-related manufacturing operation	Other operations			Total
	Mainland China, Hong Kong and Taiwan				Other locations	Sub-total			Other investments	Corporate function	Sub-total	
	PRD excluding HK	Hong Kong	Yangtze River Delta	Others								
	HK$' million	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*
Operating profit/(loss)	2,203	29	236	206	324	2,998	214	178	13	(422)	(409)	2,981
Share of profits less losses of												
- Associates	48	314	1,975	—	572	2,909	30	621	330	—	330	3,890
- Joint ventures	—	1	115	31	(2)	145	(1)	—	—	—	—	144
	2,251	344	2,326	237	894	6,052	243	799	343	(422)	(79)	7,015
Finance costs, net	(73)	—	—	(51)	(157)	(281)	(25)	—	—	(394)	(394)	(700)
Taxation	(372)	(5)	(188)	(24)	(7)	(596)	(22)	(138)	(31)	(3)	(34)	(790)
Profit/(loss) for the year	1,806	339	2,138	162	730	5,175	196	661	312	(819)	(507)	5,525
Non-controlling interests	(611)	—	—	(26)	(76)	(713)	(4)	—	—	—	—	(717)
Profit/(loss) attributable to equity holders of the Company	1,195	339	2,138	136	654	4,462	192	661	312	(819)	(507)	4,808
Other information:												
Depreciation and amortisation	861	11	—	125	289	1,286	94	—	—	12	12	1,392
Capital expenditure	405	13	—	251	1,044	1,713	31	—	617	15	632	2,376

For the purposes of monitoring segment performances and allocating resources between segments, all assets other than taxation recoverable and deferred tax assets are allocated to reportable segments, and all liabilities other than taxation payable and deferred tax liabilities are allocated to reportable segments.

An analysis of the Group's assets and liabilities by segments is as follows:

As at 31 December 2016

	Ports operation						**Bonded logistics operation**	**Port-related manufacturing operation**	**Other operations**			**Total**
	Mainland China, Hong Kong and Taiwan				**Other locations**	**Sub-total**			**Other investments**	**Corporate function**	**Sub-total**	
	PRD excluding HK	**Hong Kong**	**Yangtze River Delta**	**Others**								
	HK$' million	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*
ASSETS												
Segment assets (excluding interests in associates and joint ventures)	21,415	232	3,311	3,835	11,156	39,949	2,499	—	7,394	1,290	8,684	51,132
Interests in associates	1,181	1,642	18,103	4,188	5,934	31,048	388	7,864	3,720	—	3,720	43,020
Interests in joint ventures	3	4	861	4,986	3,010	8,864	—	—	45	—	45	8,909
Total segment assets	22,599	1,878	22,275	13,009	20,100	79,861	2,887	7,864	11,159	1,290	12,449	103,061
Taxation recoverable												3
Deferred tax assets												49
Total assets												103,113
LIABILITIES												
Segment liabilities	(2,420)	(34)	—	(1,315)	(6,367)	(10,136)	(1,153)	—	(3,086)	(12,742)	(15,828)	(27,117)
Taxation payable												(285)
Deferred tax liabilities												(1,973)
Total liabilities												(29,375)

As at 31 December 2015

	Ports operation						**Bonded logistics operation**	**Port-related manufacturing operation**	**Other operations**			**Total**
	Mainland China, Hong Kong and Taiwan				**Other locations**	**Sub-total**			**Other investments**	**Corporate function**	**Sub-total**	
	PRD excluding HK	**Hong Kong**	**Yangtze River Delta**	**Others**								
	HK$' million	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*
ASSETS												
Segment assets (excluding interests in associates and joint ventures)	23,185	237	5,144	3,943	11,018	43,527	2,760	34	838	8,155	8,993	55,314
Interests in associates	1,224	1,715	17,441	1	5,829	26,210	390	7,713	3,640	—	3,640	37,953
Interests in joint ventures	3	7	894	5,146	2,991	9,041	—	—	—	—	—	9,041
Total segment assets	24,412	1,959	23,479	9,090	19,838	78,778	3,150	7,747	4,478	8,155	12,633	102,308
Deferred tax assets												41
Total assets												102,349
LIABILITIES												
Segment liabilities	(3,319)	(42)	—	(1,421)	(6,452)	(11,234)	(684)	—	—	(11,043)	(11,043)	(22,961)
Taxation payable												(406)
Deferred tax liabilities												(2,333)
Total liabilities												(25,700)

4 Other income and other gains, net

	2016	2015
	HK$'million	*HK$'million*
Dividend income from available-for-sale financial assets	111	121
Gain on deemed disposal of interests in associates and a joint venture	6	399
Gain on disposal of an available-for-sale financial asset	512	—
Gain on disposal of property, plant and equipment	3	22
Gain on disposal of subsidiaries	—	52
Gain on partial disposal of an associate	—	2
Increase in fair value of investment properties	594	3
Indemnification from related parties (Note)	442	—
Net exchange losses	(204)	(333)
Others	97	73
	1,561	339

Note: Amount being the indemnification from the holding companies of a non-controlling shareholder of a subsidiary in connection with the operation of the relevant subsidiary.

5 Finance income and costs

	2016	2015
	HK$'million	*HK$'million*
Finance income from:		
Interest income from bank deposits	43	151
Others	17	7
	60	158
Interest expense on:		
Bank loans	(303)	(242)
Listed notes payable	(556)	(452)
Unlisted notes payable	(46)	(77)
Loans from:		
- non-controlling equity holders of subsidiaries	(19)	(16)
- shareholders	(44)	(112)
Others	(35)	(17)
Total borrowing costs incurred	(1,003)	(916)
Less: amount capitalised on qualifying assets (Note)	43	58
Finance costs	(960)	(858)
Finance costs, net	(900)	(700)

Note:

Apart from the interest expenses incurred on borrowings specifically for the purposes of obtaining qualifying assets, those incurred from the general borrowing pool used for the purpose of obtaining qualifying assets are also capitalised in the consolidated statement of financial position. Capitalisation rate of 4.96% per annum (2015: 4.31% per annum) was applied, representing the weighted average rate of the costs of borrowings used to finance the qualifying assets.

6 Taxation

Hong Kong Profits Tax has been provided for at the rate of 16.5% (2015: 16.5%) on the estimated assessable profit for the year.

The Group's operations in Mainland China are subject to corporate income tax law of the People's Republic of China (the "**PRC**") ("**PRC corporate income tax**"). The standard PRC corporate income tax rate is 25%. Certain of the Group's subsidiaries are exempted from PRC corporate income tax in the first five profit making years and followed by a 50% reduction in PRC corporate income tax for the next five years thereafter, commencing from the earlier of the first profitable year after offsetting all unexpired tax losses carried forward from the previous years or 1 January 2008. Certain of the Group's subsidiaries enjoy the preferential tax rate of 15% upon the fulfilment of the criteria of the PRC tax laws. Further, 10% withholding income tax is generally imposed on dividends relating to any profits earned commencing from 2008 to foreign investors, while for some PRC entities held by companies incorporated in certain places, including Hong Kong and Singapore, preferential tax rate of 5% will be applied according to PRC tax regulations if such companies are the beneficial owner of over 25% of these PRC entities.

Taxation outside of Hong Kong and Mainland China has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates. Certain of the Group's overseas subsidiaries are exempted from the corporate income tax in the relevant countries.

The amount of taxation charged to the consolidated statement of profit or loss represents:

	2016	**2015**
	HK$'million	*HK$'million*
Current taxation		
Hong Kong Profits Tax	2	20
PRC corporate income tax	492	345
Overseas profits tax	1	—
Withholding income tax	89	229
Deferred taxation		
Origination and reversal of temporary differences	207	86
Deferred taxation on PRC withholding income tax arising from change in tax rate (Note)	(314)	110
	477	790

Note: Upon deemed disposal of interest in an associate during the year ended 31 December 2015, the Group's shareholding in the relevant associate decreased to below 25% and was no longer entitled to 5% preferential tax rate on its dividend receivable from the relevant associate, and accordingly, an additional amount of HK$110 million for deferred taxation was provided for the year ended 31 December 2015 for the Group's share of earnings of this investment which payment is yet to be declared.

During the year, the Group's shareholding in one of the Group's associates established in the PRC increased to over 25%, enabling the Group to enjoy the 5% preferential tax rate on its dividend receivable from the relevant associate one year following the shareholding herein be more than 25%, and, accordingly an amount of HK$314 million for deferred taxation provided in previous year was reversed for the year ended 31 December 2016 for the Group's share of earnings of this investment which payment is yet to be declared.

7 Profit for the year

	2016	**2015**
	HK$'million	*HK$'million*
Profit for the year has been arrived at after charging:		
Staff costs (including Directors' emoluments)	1,558	1,499
Depreciation of property, plant and equipment	1,122	1,111
Amortisation of intangible assets and land use rights	316	281
Auditor's remuneration (including fees for non-audit services)	20	17
Operating lease rentals in respect of		
- land and buildings	220	250
- plant and machinery	32	36

8 Dividends

	2016	**2015**
	HK$'million	*HK$'million*
Interim, paid, of 22 HK cents (2015: 22 HK cents) per ordinary share	575	569
Final, proposed, of 65 HK cents (2015: 55 HK cents) per ordinary share	1,707	1,429
	2,282	1,998

At a meeting held on 29 March 2017, the Board proposed a final dividend of 65 HK cents per ordinary share, which will be satisfied by allotment of new shares of the Company, credited as fully paid, by way of scrip dividend, with an alternative to equity holders to elect to receive such final dividend (or part thereof) in cash in lieu of such allotment. This proposed dividend is not reflected as a dividend payable in these consolidated financial statements.

The amount of proposed final dividend for 2016 was based on 2,625,735,562 (2015: 2,598,715,093) shares in issue as at 29 March 2017.

9 Earnings per share

The calculation of the basic and diluted earnings per share attributable to the equity holders of the Company is based on the following data:

	2016	2015
Basic		
Profit attributable to equity holders of the Company (HK$'million)	5,494	4,808
Weighted average number of ordinary shares in issue (Note (a))	3,129,068,494	3,099,921,253
Basic earnings per share (HK cents)	175.58	155.07
Diluted		
Profit attributable to equity holders of the Company (HK$'million)	5,494	4,808
Weighted average number of ordinary shares in issue (Note (a))	3,129,068,494	3,099,921,253
Effect of dilutive potential ordinary shares:		
Adjustment for share options (Note (b))	499	3,076,279
Weighted average number of ordinary shares for diluted earnings per share	3,129,068,993	3,102,997,532
Diluted earnings per share (HK cents)	175.58	154.91

Notes:

(a) The weighted average number of ordinary shares in issue for the purposes of basic and diluted earnings per shares included (i) the ordinary shares of the Company in issue during the year and (ii) the ordinary shares that will be issued upon conversion of the Mandatory Convertible Securities ("**MCS**") from the issue date as the MCS are mandatorily convertible instruments.

The directors are of the opinion, based on the best information available thereto, including the terms of the MCS and the identities of its holders, that the MCS are substantially the same as ordinary shares of the Company, and accordingly, the MCS have been taken into account in the calculation of the basic and diluted earnings per share above.

(b) Adjustment represents the additional number of ordinary shares in issue on the assumption of exercise of all outstanding share options except for those with exercise price higher than the average market price of the Company's share for the year. Calculation to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) is based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

10 Debtors, deposits and prepayments

Debtors, deposits and prepayments balance includes trade debtors of HK$810 million (2015: HK$917 million).

The Group has a credit policy of allowing an average credit period of 90 days (2015: 90 days) to its trade customers. The ageing analysis of trade debtors, based on the invoice date, net of provision for impairment of trade debtors, is as follows:

	2016	**2015**
	HK$'million	*HK$'million*
Not yet due	462	458
Days overdue		
- 1 - 90 days	279	334
- 91 - 180 days	50	108
- 181 - 365 days	15	13
- Over 365 days	4	4
	810	917

11 Creditors and accruals

Creditors and accruals balance includes trade creditors of HK$275 million (2015: HK$271 million). The ageing analysis of the trade creditors is as follows:

	2016	**2015**
	HK$'million	*HK$'million*
Not yet due	167	160
Days overdue		
- 1 - 90 days	66	70
- 91 - 180 days	9	5
- 181 - 365 days	2	2
- Over 365 days	31	34
	275	271

PROPOSED FINAL DIVIDEND AND SCRIP DIVIDEND SCHEME

The Directors have resolved to recommend the payment of a final scrip dividend of 65 HK cents per share, totalling HK$1,707 million for the year ended 31 December 2016 by way of an issue of new shares with an alternative to the shareholders of the Company (the "**Shareholders**") to elect to receive the final dividend (or part thereof) in cash in lieu of such allotment (2015: scrip dividend of 55 HK cents per share by way of issue of new shares equivalent with cash alternative), payable on or around 18 July 2017 to Shareholders whose names appear on the register of members of the Company (the "**Register of Members**") on 9 June 2017 (the "**Scrip Dividend Scheme**").

Subject to the approval by the Shareholders at the annual general meeting of the Company (the "**AGM**") to be held on 2 June 2017, a circular containing details of the Scrip Dividend Scheme together with the relevant election form will be sent to shareholders on or around 14 June 2017. The Scrip Dividend Scheme is conditional upon the granting by the Listing Committee of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") of the listing of and permission to deal in the new shares to be issued pursuant thereto. It is expected that the final dividend warrants and certificates for the new shares will be despatched to Shareholders on or around 18 July 2017.

CLOSURE OF REGISTER

To ascertain Shareholders' entitlement to attend and vote at the AGM, the Register of Members will be closed from 29 May 2017 to 2 June 2017 (both days inclusive), during which no transfer of shares will be registered. In order to qualify to attend and vote at the AGM, all transfers and the relevant share certificates must be lodged with the Company's Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on 26 May 2017.

Subject to the approval of the Shareholders at the AGM, the proposed final dividend will be despatched to Shareholders whose names appear on the Register of Members after the close of business at 4:30 p.m. on Friday, 9 June 2017. In order to qualify for the proposed final dividend, all transfers and the relevant share certificates must be lodged with the Company's Share Registrar, Computershare Hong Kong Investor Services Limited, at the above address not later than 4:30 p.m. on Friday, 9 June 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

On 10 August 2016, the Company officially changed its name to "China Merchants Port Holdings Company Limited 招商局港口控股有限公司", so as to better reflect the current strategy of the Company to focus on ports and port-related businesses and provide a more definite positioning and corporate image for the Company.

General overview

In 2016, "black swan events" happened frequently across the world, resulting in the global economy growing slower than expected and with increasing uncertainty. Since the financial crisis, the global economy has been stagnant with sluggish recovery. In particular, the growth momentum varied with different developed economies with the economy of the United States demonstrating recovery at a relatively faster pace while that of Japan and Europe was still weak. Emerging economies tended to grow more steadily, especially those in Asia-Pacific regions have become the key driver of global growth. According to the "World Economic Outlook" report published by the International Monetary Fund ("**IMF**") on 16 January 2017, the global economic growth rate of 2016 was 3.1%, down 0.1 percentage point as compared to that of 2015, within which developed economies grew at 1.6%, down 0.5 percentage point as compared to that of 2015; and emerging markets and developing economies grew at 4.1%, which remained the same rate as in 2015. Global trade volume (including goods and services) expanded by 1.9%, representing a decrease of 0.8 percentage point as compared to that of 2015.

During the year, in line with the expectation of China's GDP growth rate at 6.7% was substantially achieved. The Chinese government persisted in the philosophy of seeking growth at a stable pace and pushing forward the optimised economic structure and reform in development mode while maintaining economic growth within a reasonable range. As affected by the inadequate demand from developed economies and upgrade of the industrial structure in China, China's total import and export value amounted to US$3.68 trillion in 2016, representing a year-on-year decrease of 6.8%, among which the total export value was US$2.10 trillion, indicating a 7.7% year-on-year decrease, while total import value was US$1.59 trillion, reflecting a year-on-year decrease of 5.5%.

With the slow recovery in economy and trade globally, global ports business generally showed soften growth in 2016 while Chinese ports growth also demonstrated a sustained slowdown. Data published by the Ministry of Transport of China revealed that container throughput handled by Chinese ports of significant scale totalled 218 million TEUs in 2016, representing an increase of 3.6% year-on-year but a decline of 0.5 percentage point as compared to the growth rate of last year.

In 2016, the Group's ports handled a total container throughput of 95.77 million TEUs, grew by 14.5% as compared with last year. Bulk cargo volume handled by the Group's ports was 460 million tonnes, a year-on-year increase of 30.2%. As affected by the sluggish shipping market, China International Marine Containers (Group) Co., Ltd. ("**CIMC**"), of which the Group is the single largest shareholder, recorded a significant decrease in its container sales. In 2016, sales of dry cargo containers and reefers recorded 0.67 million TEUs, a year-on-year decrease of 48.7%.

During the year ended 31 December 2016, profit attributable to equity holders of the Company amounted to HK$5,494 million, representing an increase of 14.3% over last year. Recurrent profit [Note 1] was HK$4,581 million, up by 2.7% as compared to last year. EBITDA [Note 2] derived from the Group's core ports operation amounted to HK$11,542 million, up by 8.8% as compared to last year, accounting for 78.6% of the Group's total EBITDA.

Business review

Ports operation

In 2016, the Group's ports handled a total container throughput of 95.77 million TEUs, up by 14.5% year-on-year, among which the Group's ports in Mainland China contributed container throughput of 71.93 million TEUs, indicating an increase of 17.0% year-on-year, which was mainly driven by the additional contribution from a new equity investment in Dalian Port (PDA) Company Limited ("**Dalian Port**") in early 2016, thereby enabling the Group to sustain its leading position among Chinese port operators. The Group's operations in Hong Kong and Taiwan contributed an aggregate container throughput of 6.88 million TEUs, representing a growth of 12.0% over last year. Benefited from the rapid growth of the port operation of Colombo International Container Terminals Limited ("**CICT**") in Sri Lanka and the additional contribution from Kumport Liman Hizmetleri ve Lojistik Sanayi ve Ticaret Anonim Şirketi in Turkey, of which the acquisition was completed by the end of 2015, total container throughput handled by the Group's overseas ports grew by

Note 1 Profit attributable to equity holders of the Company net of non-recurrent gains after tax. Non-recurrent gains include: for 2016, gain on disposal of an available-for-sale financial asset, gain on deemed disposal of interests in an associate and change in fair value of investment properties; while for 2015, gain on disposal of subsidiaries, gain on partial disposal of an associate, change in fair value of investment properties, gain on deemed disposal of interests in associates and a joint venture, and additional provision of deferred taxation upon deemed disposal.

Note 2 Earnings before net interest expenses, taxation, depreciation and amortisation but excluding unallocated income less expenses and profit attributable to non-controlling interests ("Defined Earnings") of the Company, its subsidiaries and its share of Defined Earnings of associates and joint ventures.

5.7% year-on-year to 16.96 million TEUs. Total bulk cargo volume handled by the Group's ports increased by 30.2% year-on-year to 460 million tonnes, within which ports in Mainland China handled bulk cargo volume of 453 million tonnes, representing an increase of 30.2% year-on-year. Port de Djibouti S.A. ("**PDSA**") in Djibouti contributed a bulk cargo volume of 6.52 million tonnes, reflecting an increase of 25.8% as compared to last year.

Pearl River Delta region

In the Pearl River Delta region, the Group's terminals in West Shenzhen handled a total container throughput of 10.97 million TEUs, up by 2.0% year-on-year, of which international container throughput totalled 10.11 million TEUs, up by 1.6%, outperforming the overall Shenzhen port. Chu Kong River Trade Terminal Co., Ltd. handled a total container throughput of 1.38 million TEUs, up by 6.3% year-on-year. Bulk cargo volume handled by the West Shenzhen Port Zone amounted to 19.00 million tonnes, down by 4.2% year-on-year, mainly due to the business transformation pursued by the Group in the Pearl River Delta region. Dongguan Machong Terminal, aided by the addition of new capacity, handled bulk cargo volume of 12.25 million tonnes during the period, representing an increase of 3.9% year-on-year.

Yangtze River Delta region

Shanghai International Port (Group) Co., Ltd. ("**SIPG**") handled a total container throughput of 37.13 million TEUs, up by 1.6% year-on-year. Owing to a decline in coal and ore business volume as a result of the business transformation pursued by SIPG, bulk cargo volume handled during the year decreased by 5.4% year-on-year to 147 million tonnes. As affected by the adjustment of certain shipping routes, Ningbo Daxie China Merchants International Terminals Co., Ltd. handled a total container throughput of 2.65 million TEUs, representing a decrease of 2.1% year-on-year.

Bohai Rim region

Qingdao Qianwan United Container Terminal Co., Ltd. handled a total container throughput of 6.50 million TEUs, representing a decrease of 2.4% year-on-year. Qingdao Qianwan West Port United Terminal Co., Ltd. handled bulk cargo volume of 14.78 million tonnes, representing a decrease of 10.6% year-on-year. Qingdao Port Dongjiakou Ore Terminal Co., Ltd. handled bulk cargo volume of 56.93 million tonnes, indicating an increase of 12.2% year-on-year, with the addition of new capacity. Tianjin Five Continents International Container Terminals Co., Ltd. handled a total container throughput of 2.57 million TEUs, which remained basically the same as last year. Dalian Port, of which the Group became a shareholder on 1 February 2016, has contributed a total container throughput of 9.67 million TEUs and bulk cargo volume of 107.41 million tonnes for the period from February to December.

Xiamen Bay Economic Zone

In the south-eastern coastal region, container throughput handled by Zhangzhou China Merchants Port Co., Ltd. ("**ZCMP**") increased by 4.2% year-on-year to 0.34 million TEUs. Owing to the decrease in demand for timber in the hinterland, bulk cargo volume handled by ZCMP amounted to 9.91 million tonnes, down by 8.0% year-on-year.

South-West region of China

Zhanjiang Port (Group) Co., Ltd. handled a total container throughput of 0.72 million TEUs, up by 17.6% year-on-year; and a total bulk cargo volume of 85.11 million tonnes, up by 3.5% year-on-year.

Hong Kong and Taiwan

The total container throughput handled by ports in Hong Kong dropped by approximately 1.3% year-on-year, of which the container throughput handled by the ports in Kwai Tsing area decreased by 2.4% year-on-year. Modern Terminals Limited and China Merchants Container Services Limited in Hong Kong delivered an aggregate container throughput of 5.15 million TEUs, up by 11.5% year-on-year, which outperformed the overall market of Hong Kong. Benefited from the addition of new capacity, Kao Ming Container Terminal Corporation in Taiwan handled a total container throughput of 1.73 million TEUs, reflecting an increase of 13.3% year-on-year.

Overseas operation

In 2016, total container throughput handled by the Group's overseas operations increased by 5.7% year-on-year to 16.96 million TEUs, among which container throughput handled by CICT in Sri Lanka hit a record high to more than 2 million TEUs and rose significantly by 29.1% year-on-year. Container throughput handled by PDSA in Djibouti and Lomé Container Terminal S.A. in Togo amounted to 0.99 million TEUs and 0.53 million TEUs, up by 10.1% and 5.1% year-on-year respectively. Container throughput handled by Tin-Can Island Container Terminal Limited in Nigeria was 0.41 million TEUs, representing a decrease of 13.0% year-on-year. Terminal Link SAS disposed its 35% equity interests in Container Handling Zeebrugge in Belgium by the end of 2015 and handled container throughput of 12.35 million TEUs during the year, representing a decrease of 2.1% year-on-year.

Strategic deployments in the ports operation

In 2016, which was prevailed with adverse external operating environment, the Group pursued various developments by adhering to the operation philosophy of "seeking for changes while maintaining stability, seeking to promote innovation among changes, and seeking to progress on the back of innovation". The Group, on one hand, captured opportunities offered by the strategic initiatives promoted by China, intensively implemented its development strategies in both domestic and overseas markets, and achieved breakthroughs in the establishment of the homebase port, consolidation of ports in China and expansion of its global ports network; while on the other hand, it leveraged the core business in ports operation to explore the extension of the ports value chain through various means, such as utilising internet technology, promoting business innovation and cross-sector integration. The Group also exerted great efforts in building a comprehensive port ecosystem to seek breakthroughs in corporate transformation and development.

Regarding the ongoing development of its West Shenzhen homebase port, the Group enhanced the overall competitiveness of the West Shenzhen Port Zone by actively promoting upgrade of hardware, resources consolidation and optimisation of its cargo collection-distribution system. For the upgrade of hardware during 2016, the construction for phase II of Tonggu Channel widening project officially commenced in November with the support from the Shenzhen Government. After the project is completed and commences operation, the navigation conditions in the West Shenzhen Port Zone will be further improved. With respect to resources consolidation, a financial resource sharing centre was established in the West Shenzhen Port Zone to centralise the accounting operation and commonly share the finance workforce resources, further enhancing the integrated operation. As for the cargo collection-distribution system, the West Shenzhen Port Zone actively explored the possibility of and realise the cooperation with Sinotrans Guangdong Co., Ltd. and Chu Kong Shipping Enterprises (Group) Company Limited. The West Shenzhen Port Zone entered into cooperation with Sinotrans Guangdong Co., Ltd. during the year and realised the effective integration of logistics, shuttle-barge and port resources of both parties through coordination of assets, businesses and talents. The launching of an innovative product called "one-stop service for transit at the Pearl River Delta", which provided customers with more convenient and comprehensive logistics services, was well-received by the market. The cooperation would enhance the attractiveness of the West Shenzhen Port Zone for cargo from the hinterland in the Pearl River Delta region.

As for overseas expansion, by seizing the development opportunities arising from the "Belt and Road" initiative promoted by China and, pursuing the development direction of "solidify ports layout in Asia, improve ports network in Africa, expand footprint in Europe and acquire new exposure in Americas", the Group actively analysed and captured investment opportunities in ports, logistics and the relevant infrastructure along the sea routes so as to continuously optimise the Group's global port network. Meanwhile, the Group formed two joint venture entities with several joint investors in Djibouti International Free Trade Zone in January 2017 for actively participating in the upgrade of its ports facilities, and planning and construction of surrounding industrial zones, which gathered experience and laid foundation for exploring a comprehensive port development model, and deployment and establishment of "Checkpoints along the Maritime Silk Road".

As for the Group's strategies for the Chinese port market, capitalising on the opportunities arising from the restructuring of regional ports in China, the Group aiming towards collaboration and principle of mutual benefits, proactively enhanced the interaction and exchange with major port groups along coastal China with a view to identifying new investment and cooperation opportunities, so as to further improve its domestic port network and to achieve synergy.

With regards to innovative development, the Group proactively explored and promoted the establishment of a comprehensive port ecosystem on the foundation of port operations. It also enhanced the synergy and integration between the involved parties in port business by utilising internet technology, and strengthened its ability in creating values for customers through innovation of business models and cross-sector integration, which would facilitate its business expansion towards middle and high end of the ports value chain, thereby realising the transformation from a terminal operator to a comprehensive port services provider. The Group's innovation projects achieved remarkable progress in 2016. The overall planning and design of the "E-port" project in the West Shenzhen Port Zone has been completed and the construction would be carried out in three phases. As the unified platform for the external information service in the West Shenzhen Port Zone, "E-port" will consolidate the existing information resources and services to enhance the informatisation capability of trade clearance and cargo collection-distribution business in the West Shenzhen Port Zone. The business scale of "exgrain.com", an integrated electronic bulk trading platform for grains cooperated with COFCO Corporation, expanded rapidly with an aggregate spot trading volume for the year exceeding 12.00 million tonnes. "exgrain.com" was accredited as "2016 Top 50 Bulk B2B in China" and recognised by the industry. Silk Road E-Merchants Information Technologies Co., Ltd., a joint venture established by the Company and IZP Group, proactively pushed forward the development of a comprehensive global trade service platform according to an innovative model: "Customs Clearance, Get through the Exchange and Get through the Chain".

In terms of operational management, the Group integrated the application of its refined management platform with strategic management, and preliminarily established a strategic closed-loop management system with key focuses on strategy formulation, target decomposition, strategy execution and performance assessment, which is of great significance for the Group's execution of strategies and enhancement of management quality. In 2016, the refined management platform of the Group was awarded the Second Prize of the "22nd National Innovative Achievement in Modernised Management by China Corporations", reflecting the wide recognition by the industry.

Bonded logistics operation

In 2016, the Group's bonded logistic business sustained good growth momentum, with remarkable results on innovations initiatives. Through optimising the customer structure, China Merchants Bonded Logistics Co., Ltd., a subsidiary of the Group in Shenzhen, recorded a warehouse utilisation rate of 86% and the operating efficiency of the zone was constantly improving. Leveraging on the opportunities arising from the inclusion of Qingdao City as one of the pilot cities under the comprehensive pilot zone for cross-border e-commerce, China Merchants International Terminal (Qingdao) Co., Ltd. conducted its cross-border e-commerce business following a systematic action plan and took the lead to engage in the integrated business of bonded import and direct purchase within the province, which turned it into the core of the comprehensive pilot zone for cross-border e-commerce in Qingdao and provided a new driver for the improvement of the zone's operating efficiency. Continuing to leverage on the incentive policies available at the Dongjiang Bonded Port Zone, Tianjin Haitian Bonded Logistics Co., Ltd., an associate of the Group, recorded higher rental rates and grew steadily in operation with warehouse resources running almost at full capacity.

In 2016, the total cargo volume handled at the three major air cargo terminals in Hong Kong amounted to 4.01 million tonnes, representing an increase of 8.1% year-on-year. Asia Airfreight Terminal Company Limited, in which the Group has interest, handled a total cargo volume of 0.58 million tonnes, representing an increase of 0.1% year-on-year, representing a market share of 14.5%, down by 1.1 percentage points as compared to last year.

Port-related manufacturing operation

In 2016, the shipping market remained subdued with the decrease in demand of purchase for containers due to deteriorating results of shipping companies. Meanwhile, given the continued weakening price of containers, the container sales business saw a noticeable year-on-year decline and a substantial provision of RMB1.36 billion was made, leading to a significant decline in the operating results of CIMC. In 2016, CIMC recorded profit attributable to equity holders of RMB540 million, down 73.4% year-on-year, while its sales of dry cargo containers and reefers was down 48.7% year-on-year to 0.67 million TEUs in 2016 and revenue of the container sales business decreased by 47.5% year-on-year.

Financial review

For the year ended 31 December 2016, revenue[Note 3] from the Group's core ports operation increased by 14.0% over the same period last year to HK$24,506 million, as a result of added production capacities from overseas greenfield projects in ramp-up period and acquired new projects. Notwithstanding, the Group's revenue recorded HK$44,221 million, slightly increased by 1.6% year-on-year offset by the sluggish global trade weighed on the demand for CIMC's products. Profit attributable to equity holders of the Company amounted to HK$5,494 million, up 14.3% over last year. Due to better-than-expected contributions from overseas greenfield projects and added contributions from new projects, the Group recorded recurrent profit of HK$4,581 million, representing an increase of 2.7% year-on-year.

EBITDA derived from the Group's core ports operation amounted to HK$11,542 million, representing an increase of 8.8% year-on-year, which contributed 78.6% of the Group's total EBITDA. Profit attributable to equity holders of the Company derived from the core ports operation amounted to HK$5,558 million, representing an increase of 24.6% over last year.

As at 31 December 2016, total assets of the Group was HK$103,113 million, representing an increase of 0.7% as compared with a corresponding balance of HK$102,349 million as at 31 December 2015. Net assets attributable to equity holders of the Company was HK$65,908 million as at 31 December 2016, representing a decrease of 4.2% from that as at 31 December 2015, mainly resulted from a decrease in fair value of the Group's available-for-sales financial assets and exchange differences from retranslation of foreign investments.

In general, the Group's ports operation continued to yield stable cash inflow. However, due to the timing difference in dividend receipt from certain associates, whereby the distribution of dividend from an associated company, which was supposed to take place in the second half of 2014, was deferred to the first half of 2015, the Group's total net cash inflow from operating activities decreased by 16.9% year-on-year to HK$5,552 million for the year ended 31 December 2016. As significantly higher capital expenditure on business acquisitions was incurred than last year, the Group has generated net cash outflow from investment activities of HK$10,856 million for the year ended 31 December 2016, compare that to HK$1,983 million in the previous year. The Group's net cash outflow from financing activities amounted to HK$1,143 million during the year ended 31 December 2016, comparing to HK$3,782 million in the previous year.

Note 3 Include revenue of the Company and its subsidiaries, and its share of revenue of associates and joint ventures.

Corporate social responsibility

While striving to continuously improve its operating results and generate return for shareholders, the Group also places emphasis on its social responsibilities towards its employees, the community and the environment, by contributing to the evolution of our community in a healthier and more sustainable direction.

In 2016, aiming at "energy conservation and efficiency enhancement" with "technological innovations" as the means while fulfilling the corporate social responsibility of "conserving energy, reducing emission and carbon footprint, and protecting the environment", the Group has continued its efforts in the building of low-carbon green port by expediting the transformation of our ports, which enables them to become more environment-friendly and energy-conserving. Having become the only state-sponsored demonstration port zone of low-carbon green ports in South China since 2013, the Group's West Shenzhen Port Zone has been working actively to implement the pilot programs relating to the establishment of low-carbon green ports, focusing on 13 key implementation projects in four major areas, including the transformation of infrastructure, upgrading of logistics equipment, optimisation of energy consumption structure and initiation of intelligent operations. Among which, the first 9 key implementation projects have been assessed by the expert group of the Ministry of Transport and passed the examinations and acceptance inspections in May. All of these demonstrated the Group's efforts in establishing a new and modern container port zone that is green, efficient, eco-friendly and sustainable with the use of clean energy and green power.

The Group is committed to integrating its corporate core values into the community by participating actively in various community and charitable activities. In 2016, the Group's charitable activities adhered to the theme of "Shaping Blue Dreams Together" (共鑄藍色夢想), which concerns the ocean and humanities. The Group's South China Container Terminal once again organised the public welfare activity named "Shaping Blue Dreams Together — Summer Camp for Caring of Left-behind Children" (共鑄藍色夢想—關愛留守兒童夏令營), and donated emergency supplies worth of US$30,000 to flooded areas in Sri Lanka and emergency aid of US$50,000 to earthquake-stricken areas in Tanzania. It also continued to run the "Shaping Blue Dreams Together — C Blue restore Sight Project" (共鑄藍色夢想—招商局一帶一路光明行), providing free surgeries for 40 local patients who were poor and suffered from cataract to recover their sight.

Liquidity and treasury policies

As at 31 December 2016, the Group had approximately HK$3,637 million in cash, 15.5% of which was denominated in Hong Kong dollars, 19.8% in US dollars, 63.1% in Renminbi and 1.6% in other currencies.

The Group mainly derived its funding sources from its operating activities related to ports operation, bonded logistics operation, property investment, and investment returns from associates and joint ventures, which amounted to HK$5,552 million in total.

During the year, the Group incurred capital expenditure amounted to HK$7,632 million while the Group continued to adhere a prudent financial policy and to maintain a sound financial position. In addition, as a significant portion of the Group's bank loans were medium- to long-term loans, the Group, supported by adequate undrawn bilateral facilities, does not anticipate any difficulty in refinancing its short-term loans while the pressure for repaying the short-term loans is limited.

Share capital and financial resources

As at 31 December 2016, the Company had 2,625,732,225 shares in issue. During the year, the Company issued 70,000 new shares upon the exercise of share options and received net proceeds of approximately HK$2 million as a result. Other than the above-mentioned newly issued shares, the Company issued 26,758,997 shares under the Company's scrip dividend scheme and 188,135 shares upon conversion of the MCS.

As at 31 December 2016, the Group's net gearing ratio[Note 4] was approximately 25.5%.

The financial statements of the Group's foreign investments are in Renminbi, Euro or United States dollars and any exchange difference so arising from retranslation of these financial statements have been dealt with in the reserve of the Group. The Group will keep monitoring market changes and explore the use of forward exchange contracts, where deemed necessary, in order to hedge foreign exchange risk and to optimise its overall exposure to maintain foreign exchange risk at a manageable level.

During the year, the Company issued fixed-rate unlisted notes maturing in 2017 for the amount of RMB1,500 million to finance the Group's working capital. A non-wholly-owned subsidiary of the Company issued fixed-rate unlisted notes with various maturities for the aggregate amount of RMB850 million to finance its working capital.

Note 4 Net interest-bearing debts divided by total equity.

The Group had aggregate bank loans and listed notes payable of HK$15,315 million as at 31 December 2016 that contain customary cross default provisions.

As at 31 December 2016, the Group's outstanding interest bearing debts are analysed as below:

	2016	**2015**
	HK$'million	*HK$'million*
Floating-rate bank loans which are repayable as follows *(Note)*:		
Within 1 year	2,225	713
Between 1 and 2 years	516	643
Between 2 and 5 years	2,455	1,401
More than 5 years	2,304	2,855
	7,500	5,612
Fixed-rate bank loans which are repayable as follows:		
Within 1 year	732	179
Between 1 and 2 years	—	60
More than 5 years	28	—
	760	239

Note: All bank loans are unsecured except for HK$4,209 million (2015: HK$4,375 million).

	2016	2015
	HK$'million	*HK$'million*
Fixed-rate listed notes payable which are repayable:		
In 2018	1,546	1,542
In 2020	1,544	1,541
In 2022	3,839	3,830
In 2025	3,855	3,851
	10,784	10,764
Fixed-rate unlisted notes payable which are repayable:		
In 2016	—	597
In 2017	1,962	—
In 2018	—	594
In 2019	334	—
	2,296	1,191
Loans from the ultimate holding company which are repayable as follows:		
Within 1 year	336	277
Between 1 and 2 years	—	358
	336	635
Loans from an intermediate holding company which are repayable as follows:		
Within 1 year	63	34
Between 1 and 2 years	223	67
Between 2 and 5 years	56	239
	342	340
Loans from non-controlling equity holders of subsidiaries which are repayable as follows:		
Within 1 year	44	—
More than 5 years	372	364
	416	364

The interest bearing debts are denominated in the following currencies:

	Bank loans	Listed notes payable	Unlisted notes payable	Loans from an intermediate holding company	Loans from the ultimate holding company	Loans from non-controlling equity holders of subsidiaries	Total
	HK$' million	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*
As at 31 December 2016							
USD	2,569	10,784	—	—	—	44	13,397
RMB	3,803	—	2,296	342	336	—	6,777
EURO	1,888	—	—	—	—	372	2,260
	8,260	10,784	2,296	342	336	416	22,434
As at 31 December 2015							
HKD & USD	2,827	10,764	—	—	—	—	13,591
RMB	973	—	1,191	340	635	—	3,139
EURO	2,051	—	—	—	—	364	2,415
	5,851	10,764	1,191	340	635	364	19,145

Assets charge

As at 31 December 2016, the entire shareholdings in two subsidiaries owned by the Company and its subsidiary are pledged to various banks for bank loans of HK$4,209 million (2015: HK$4,375 million).

Employees and remuneration

As at 31 December 2016, the Group employed 5,760 full time staff, of which 194 worked in Hong Kong, 4,653 worked in Mainland China, and the remaining 913 worked overseas. The remuneration paid for the year amounted to HK$1,558 million, representing 27.6% of the total operating expenses of the Group. The remuneration policy of the Group is reviewed every year and appropriate adjustments are made to an individual's remuneration with reference to the Group's performance, individual's performance, conditions of the human resources market and general economy.

The Group also provides internal training to its staff to enable them to achieve self-improvement and to enhance job-related skills. Moreover, the Group offers discretionary year-end bonus as a reward to its staff for their efforts and contribution to the Company. The Group also operates a share option scheme, under which qualified staff may exercise their options at an agreed price to subscribe for shares of the Company. The remuneration of directors has been determined with reference to individual's duties and responsibilities in the Company, experience and the prevailing market conditions.

The Group has at all times strived to maintain a good relationship with its employees and is committed to complying with the Employment Ordinance, the Minimum Wage Ordinance and ordinances relating to the occupational safety of employees of the Group, so as to safeguard the interests and well-being of its employees.

Future prospects

In 2017, the global economy is expected to grow at a slightly faster rate, benefitting mainly from the fiscal stimulus implemented by developed economies such as the United States, and the rebound of the emerging markets and developing economies. According to the latest forecast by IMF, global economy is expected to grow by 3.4% in 2017, a 0.3 percentage point improvement as compared to 2016, within which developed economies will grow at 1.9%, up 0.3 percentage point as compared to that of 2016; and emerging markets and developing economies will grow at 4.5%, up 0.4 percentage point as compared to that of 2016. Global trade volume (including goods and services) is expected to expand by 3.8%, an increase of 1.9 percentage points as compared with that of 2016. However, IMF also indicated that there will still be higher downside risk, which includes the rise of trade protectionism, tightening global financial environment and worsening geopolitical tensions. All of these factors will affect the development of the global economic and trade environment.

China's economy is expected to confront relatively high pressure but will sustain a steady pace of growth with the reforms of economic structure gradually taking effect with the support of relevant policies. The forecast published by the IMF suggested that the Chinese economy will grow by 6.5% in 2017, down 0.2 percentage point as compared to that in 2016. In addition, the accelerated implementation of strategies such as "Belt and Road" initiative and collaboration over international production capacity, coupled with declining Renminbi exchange rate at a steady pace, will have a positive effect on economic and trade growth. It is expected that the decrease in the import and export value of China's foreign trade will narrow down in 2017.

In light of the unfavourable global economic and trade environment, shipping industry will continue with the integration of resources, and competition among different alliances will become even more intense. The port industry is presented with further challenges and opportunities, with a concentrated market layout that is dominated by the three largest shipping alliances to be formed by 2017, namely 2M, OCEAN and THE Alliance, along with the rearrangement of trade routes.

Based on the aforementioned analysis and considerations, in 2017, the Group will capitalise on the opportunities arising from the implementation of policy adhering to the directives of "enhancing capability, improving efficiency and quality, striving for self-improvement and integrating to achieve mutual benefits". The Group will also, with building "a comprehensive port ecosystem" as a pivot, expand and consolidate its core ports operation and accelerate the transformation of comprehensive service, with a view to achieving breakthroughs in aspects such as the development of the homebase port, ports consolidation, expansion of its global ports network and innovation development, thereby gradually realising its strategic goal of "becoming a world-class comprehensive port services provider" with its best endeavours.

Regarding the development of the homebase port, the Group will dedicate efforts to constantly enhance its overall competitiveness, by following the development direction of "integrating resources, extending scope of services and transforming existing facilities". The Group seeks to capture available opportunities arising from the implementation of reforms and participate in the consolidation of domestic ports, with a view to enhancing synergy; extend the hinterland coverage of the homebase port by complementing the barge shuttle network and sea-rail intermodal transportations in the Pearl River Delta region, whilst innovating business models through working closely with Sinotrans & CSC Holdings Co., Ltd.; nurture new drivers for profitability by leveraging on the advantages brought by the policies endowed to the Qianhai Free Trade Zone and utilising the development of "E-port" as the means, to actively promote the transformation and upgrade of the homebase port, thereby provide wider range of value-added services to our customers, while at the same time, stemming from the core ports operation, to consistently improve the quality of comprehensive port services which is comprised of trading, customs clearance and port-related logistics operations.

With respect to ports consolidation, by comprehensively studying and seizing available opportunities derived from the supply-side reform and the restructuring of regional ports, the Group will leverage on its own advantages in resources to proactively interact and communicate with major port groups along coastal China and actively participate in the consolidation of domestic ports, with a view to enhance synergies within the Group's domestic port network and its resources and thus further elevate the Group's influence in the domestic port market.

As for overseas expansion, seeking to seize the opportunities offered by the "Belt and Road" initiative promoted by China, the Group will continue to study and capture investment opportunities in ports, logistics and relevant infrastructure in countries along the route and seek to achieve breakthroughs in key areas, so as to strengthen its presence in overseas market. Meanwhile, by capturing the development opportunities available in the emerging markets and taking reference to the development experience in Shekou, the Group will explore the application of the development model of "Port-Zone-City" in an effort to promote comprehensive regional development and construction with a focus on port operations and create a new development model for overseas businesses according to local conditions.

With regards to innovative development, riding on the advantages from integration of the Group's global port network and its resources, the Group will proactively explore and promote the "Port +" business development model in an effort to establish a comprehensive port ecosystem with a foundation of port operations. The Group will also strive to seek for business expansion opportunities in areas such as "Port + Trade", "Port + Service" and "Port + Engineering", so as to provide a new business driver for the sustainable development of the Group.

While actively promoting its business development, the Group will place a great emphasis on the enhancement of capacity building and operational quality. In 2017, it will adhere to the directives of "Enhancing capacity and improving quality and efficiency" with a focus on reinforcing capacity building in six major aspects, including strategic management and control, management refinement, resources integration, promotion of innovation, organisational development and risk management. Meanwhile, the Group will endeavour on the balanced development of scale expansion and operational efficiency, which will enable it to transform the "scale advantages" into "quality advantages and performance advantages"

Global macroeconomic environment will remain complex in 2017. The uncertainties over global economic and trade growth will heighten, the profound reforms will continue to prevail within China's economy, and the intensifying competition will persist within the ports industry, which will bring about new opportunities and challenges to the Group's ports operation. The Group will, through clearly visualising the prevailing conditions and endeavouring to steadily progress, navigate its business operations by following the already established operational strategies. As always, the Group will endeavour to maximise shareholders' value while enhancing profitability, thereby delivering better returns for its shareholders.

REVIEW OF FINANCIAL STATEMENTS

The audit committee of the Company (the "**Audit Committee**") comprises all of the five independent non-executive directors. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control, risk management and financial report matters including the review of the audited financial statements for the year ended 31 December 2016 and the 2016 annual results.

CORPORATE GOVERNANCE

The Board is committed to upholding a high standard of corporate governance practices and business ethics with the firm belief that they are essential for maintaining and promoting investors' confidence and maximising shareholders' returns. The Board reviews its corporate governance practices from time to time in order to meet the rising expectations of stakeholders and comply with increasingly stringent regulatory requirements, and to fulfill its commitment to excellence in corporate governance.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code during the year.

In the opinion of the Directors, the Company has complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules which sets out the corporate governance principles and code provisions with which listed issuers are expected to follow and comply throughout the year ended 31 December 2016.

In order to ensure effective communication with the shareholders, chairmen of the Audit, Remuneration and Nomination Committees and the external auditor were present at the annual general meeting of the Company held on 3 June 2016 to answer shareholders' questions.

The current practices of the Company will be reviewed and updated regularly to reflect as much as possible the latest best practices in corporate governance.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company and its subsidiaries have not purchased, sold or redeemed any of the Company's listed securities during the year.

PUBLICATION OF ANNUAL REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

The 2016 annual report will be despatched to Shareholders and published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.cmport.com.hk in due course.

By order of the Board
China Merchants Port Holdings Company Limited
Li Xiaopeng
Chairman

Hong Kong, 29 March 2017

As at the date of this announcement, the Board comprises Mr. Li Xiaopeng, Mr. Hu Jianhua, Mr. Wang Hong, Mr. Hua Li, Mr. Bai Jingtao, Mr. Wang Zhixian, Mr. Zheng Shaoping and Ms. Shi Wei as executive directors; and Mr. Kut Ying Hay, Mr. Lee Yip Wah Peter, Mr. Li Kwok Heem John, Mr. Li Ka Fai David and Mr. Bong Shu Ying Francis as independent non-executive directors.